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November 18, 1996

Mr. Mark C. Owen
Chief Counsel
St. Lawrence Seaway Development Corporation
400 7th Street, SW
Suite 5424
Washington, DC 20590

Dear Mr. Owen:

Louis Dreyfus Corporation is opposed to the increase in Great Lakes pilotage rates proposed by the St. Lawrence Seaway Development Corporation (SLSDC).

The proposal offers no justification or rationale for an increase. Apparently, no justification is necessary. Instead, a mechanical calculation of the formula already accepted in an earlier rulemaking is all that is offered.

In the last couple of years, awareness in Canada and the United States of the need to control costs and maintain the Seaway's competitiveness has grown. In Canada there is an effort, of which Louis Dreyfus is a part, to commercialize the operation of the Canadian locks. In the US and Canada, there is also an effort to move toward a bi-national panel to operate the Seaway.

In fact, this formula process and the resulting increase in pilotage fees now proposed are out of step with SLSDC's recent efforts to contain costs and maintain the Seaway's competitiveness.

In the Federal Register notice, you refer to the economic impact of these proposed rate increases in the following way: "It is expected to be minimal so that a full economic evaluation is not warranted....the effect of the increase in the proposed Great Lakes pilotage rates will be borne almost exclusively by foreign vessel operators, not US entities".

These increases in pilotage rates <u>are not</u> minimal. Fednav Ltd., the largest operator of ocean-going vessels on the Great Lakes, has stated that these proposed increases in pilotage rates will be the equivalent of a five percent increase in tolls.

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These increases will not be borne almost exclusively by foreign vessel operators. Vessel operators will attempt to pass on the higher cost of Great Lakes pilotage rates to shippers like Louis Dreyfus Corporation.

Even if competition prevents the full transfer of these higher costs to shippers in the short run, we know in the long run, the ship-owning industry will adjust and Great Lakes/St. Lawrence Seaway rates will reflect these higher costs.

Regulatory actions like this proposal to increase rates must be viewed in conjunction with all other costs of the Great Lakes/St. Lawrence Seaway. An agreement between the government of Canada and the US provides for the "establishment of identical rates, charges and other conditions or terms of service of pilots in the waters of the Great Lakes". Surely, the rates for Canadian pilots will also be increased if the SLSDC proposed increase is approved. In addition, the Canadian Government recently imposed a new tax, the Marine Services Fee, on the Great Lakes maritime industry.

A full economic evaluation of this proposal, or any proposal, which would increase costs for the Great Lakes/St. Lawrence Seaway is warranted and should be required before any decision is made. Otherwise, the SLSDC will incorrectly make a decision which will damage, rather than improve, the competitive position of this great international transportation system.

Very truly yours,

Adrian D. C. Tew
Vice President